



Frank J. Kelly
President and Chief Executive Officer

**WRITTEN TESTIMONY OF
FRANK J. KELLY
PRESIDENT AND CEO
DANBURY HOSPITAL
RESPECTFULLY SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
Monday, February 9, 2009**

**Regarding HB 6350, An Act Eliminating Exemptions From The Sales And Use Tax
And Lowering The Rate Of Such Tax**

My name is Frank J. Kelly and I am the President and CEO of Danbury Hospital and Danbury Health Systems in Danbury, CT. I am submitting written testimony in opposition to **HB 6350, An Act Eliminating Exemption From The Sales And Use Tax and Lowering The Rate Of Such Tax.**

HB 6350 would eliminate most exemptions to the sales tax and lower the rate of the tax to five percent. The elimination of the exemption for patient care services would negatively impact Danbury Hospital and our ability to provide quality, affordable and accessible healthcare to the community we serve.

Providing our patients and the region with the finest quality healthcare services is the highest priority for our Hospital. Danbury Hospital is the safety net for this region, caring for our residents 24 hours a day, seven days a week. We invest tens of millions of dollars in providing community benefit and wellness prevention for this region's residents. Last year, Connecticut hospitals provided 2.1 million days of inpatient care. In addition, hospitals provide a tremendous amount of outpatient care. Last year, Connecticut hospitals provided more than 4 million outpatient visits, including: 1.5 million emergency department visits; 179,000 ambulatory surgery visits; 31,000 cardiac procedures; 94,000 cardiac rehab visits; 153,000 gastroenterology procedures; 46,000 chemotherapy visits; 192,000 radiation therapy visits; 804,000 outpatient rehabilitation visits; 332,000 psychiatric care visits; and 623,000 primary care visits. Every moment of every day, hospitals touch the lives of Connecticut residents by providing high quality healthcare services. This bill would impose a sales tax on every single one of those services and negatively affect our residents in need of care.

Danbury Hospital is also the largest employer in our region with approximately 4,000 hard working nurses, physicians, clinicians, maintenance and other staff. We are vital to this area's economy and a backbone for our community. Hospitals serve as a magnet for other healthcare business and serve as a stimulus for economic development, attracting other businesses into the community, such as retail shops, banks, grocery stores, and family restaurants. This year, the CT Hospital Association conducted an analysis of the economic impact of Connecticut hospitals that shows Connecticut hospitals and health systems:

- Generate nearly **\$12.8 billion** per year for the state and local economies;

Danbury Hospital, 24 Hospital Avenue, Danbury, Connecticut 06810
Voice (203) 739-7066 | Fax (203) 739-7799
frank.kelly@danhosp.org | <http://www.danburyhospital.org>

- Provide **97,000** jobs in our communities generating approximately **\$7.0** billion in annual local economy payroll; and
- Purchase goods and services generating approximately **\$5.8** billion annually in local economic activity.

During the last four years, there has been a 31% increase in hospital contributions to Connecticut's economy—from \$9.8 billion in 2004 to \$12.8 billion in 2007.

Danbury Hospital is working diligently to stay ahead of the technology curve, adopting the new procedures, equipment and treatment our community requires of us while balancing the cost of covering the needs of the underserved. Payments for individuals enrolled in state and federal programs fall far short of the amount needed to cover the cost of care. As of today, it would take \$1.1 billion in investment by Connecticut hospitals to catch up to the nation in average age of physical plant.

Governor Rell, in 2007, established the *Hospital System Strategic Task Force*, chaired by Secretary of the Office of Policy and Management Robert Genuario and Commissioner of the Office of Health Care Access Cristine Vogel. Its members included highly regarded state legislators, state agencies, professional nurse and physician associations, representatives of Connecticut hospitals and other healthcare experts, as well as business leaders. The report is final and has been submitted to the Governor. I urge you to review the report's findings and recommendations. **One of the topics extensively discussed by the task force was "cost shifting" of losses from underfunded government programs to employer-sponsored insurance.** The report concludes cost shifting is one of the leading drivers of the financial instability of Connecticut hospitals, is unsustainable, and is eroding the employer-sponsored insurance system hospitals rely on to make ends meet. Danbury Hospital believes that one of the most important ways to stabilize Connecticut hospitals, recognized in the task force report, is to increase Medicaid funding in the state budget so that hospitals receive the full cost of providing care to patients who are covered by government-funded programs, such as Medicaid and SAGA.

The competing pressures of government funding cuts, the need to attract and maintain a superior workforce, rising input costs, and the continuous effort to improve the care given have put Connecticut's hospitals in a financially tenuous position. In 2008, 23 of the state's 27 not-for-profit acute care hospitals ended the year unable to collect enough patient revenue to cover the cost of care delivered to those patients.

Imposing a five percent sales tax and diverting approximately \$493 million dollars a year from patient care to the General Fund will do nothing to help hospitals meet the healthcare needs of the communities they serve and will significantly increase the cost of healthcare.

Therefore, we ask you to vote against HB 6350, An Act Eliminating Exemptions From The Sales And Use Tax And Lowering The Rate Of Such Tax.

Thank you for your consideration of Danbury Hospital's position on this matter.